

Half Year Financial Statements 2014-15



The National Silk & Rayon Mills Ltd.

Manufacturer & Exporter of Quality Textile Products

Company Information

Board of Directors	Sh. Faisal Tauheed Sh. Kashif Tauheed Mrs. Samira Faisal Mrs. Tahira Kashif Mr. Yasir Munir Mrs. Amna Kamran Mrs. Sadia Kamran	(Chief Executive) (Independent) (Chairman)
Board Audit Committee	Mr. Yasir Munir Mrs. Amna Kamran Mrs. Sadia Kamran	(Chairman)
Board Human Resource and Remuneration Committee	Mrs. Sadia Kamran Mrs. Amna Kamran Mr. Yasir Munir	(Chairman)
Management Team	Sh. Faisal Tauheed Puri Muhammad Islam Haider Imran Zafar Qaiser Ali Faheem	(Chief Executive) (Chief Financial Officer) (Company Secretary) (Internal Auditor)
Auditors	Amin Mudassar and Company Chartered Accountants	
Bankers	National Bank of Pakistan The Bank of Punjab Bank Alfalah Limited Habib Metropolitan Bank Limited Askari Bank Limited Bank Al-Habib Limited MCB Limited Meezan Bank Limited	
Registered Office	4th Floor, I.E.P. Building, 97-B/D-1, Gulberg III, Lahore.	
Factory	Dhuddiwala, Jaranwala Road, Faisalabad.	
Share Registrar	Orient Software & Management Services (Pvt) Ltd; 35-Z, Ameer Plaza, Opposite Mujahid Hospital, Commercial Centre, Madina Town, Faisalabad.	
Legal Advisor	Sahibzada Muhammad Arif Advocate High Court, Chamber No.52, District Courts, Faisalabad.	

Directors' Report

The directors of your company are pleased to present the Half Yearly Accounts for the period ended December 31, 2014.

By the blessing of Al mighty Allah, Company earned profit before tax Rs.12,005,607/- during the first six months ended on December 31, 2014. The Operating results are as under:-

Operating Results	December 31, 2014	December 31, 2013
Sales	308,369,838	292,578,522
Profit before taxation	12,005,607	7,368,339
Taxation:		
Current	3,113,086	2,934,519
Deferred	5,263,154	(1,741,893)
	8,376,240	1,192,626
Profit after taxation	3,629,368	6,175,713

The Management is trying their best for improving the quality of processing of cloth and hopes that the refined quality would fetch better prices of our output. Consequently, the Company's Management anticipates better financial results on remaining period of the financial year.

Appreciation

We would like to thank all of our staff members for the way they have responded to challenges. Their hard work and commitment is greatly appreciated and is reflected in these results.

We are also thankful for the encouragement and support which we received from our suppliers, Shareholders, Bankers and Financial Institutions.

LAHORE:
February 27, 2015

Sh. Faisal Tauheed
Chief Executive

Auditors' Report

To the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **The National Silk & Rayon Mills Limited** as at December 31, 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2013 and December 31, 2014 have not been reviewed and we do not express conclusion on them as we are required to review only the cumulative figures for the half year ended December 31, 2014.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

CHARTERED ACCOUNTANTS
AUDIT ENGAGEMENT PARTNER: MUHAMMAD AMIN
Lahore:

Condensed Interim Balance Sheet

AS AT DECEMBER 31, 2014

	Note	December 31, 2014 (Unaudited) Rupees	June 30, 2014 (Audited) Rupees	ASSETS	Note	December 31, 2014 (Unaudited) Rupees	June 30, 2014 (Audited) Rupees
EQUITY AND LIABILITIES							
SHARE CAPITAL AND RESERVES				NON CURRENT ASSETS			
Authorized share capital	4	204,000,000	204,000,000	Property, plant and equipment	8	376,243,027	355,486,469
Issued, subscribed and paid-up capital		155,531,740	155,531,740	Long term deposits		10,969,141	10,969,141
Unappropriated profit	5	27,905,192	25,021,743			387,212,168	366,455,610
		183,436,932	180,553,483				
SURPLUS ON REVALUATION OF FIXED ASSETS		176,329,091	176,329,091				
DEFERRED INCOME		9,164,696	11,060,840				
NON CURRENT LIABILITIES							
Liabilities against assets subject to finance lease		25,968,370	30,790,807	CURRENT ASSETS			
Deferred liabilities	6	29,491,124	22,372,808	Stores, spares and loose tools		802,693	146,642
		55,459,494	53,163,615	Stock in trade		26,940,972	47,968,942
CURRENT LIABILITIES				Trade debts-unsecured but considered good		23,685,768	46,409,638
Trade and other payables		86,528,927	93,418,825	Loans and advances		31,937,264	48,596,180
Short term borrowings-secured		35,169,796	59,825,764	Trade deposits, short term prepayments and current		24,778,069	20,722,871
Accrued interest and mark up		1,091,019	930,526	account balances with statutory authorities		11,556	11,494
Current portion of lease liabilities		9,272,395	8,556,313	Other receivables		55,356,346	40,448,270
				Due from Government departments		5,727,515	13,078,810
				Cash and bank balances		169,240,183	217,382,847
CONTINGENCIES AND COMMITMENTS	7	132,062,137	162,731,428				
TOTAL EQUITY AND LIABILITIES		556,452,351	583,838,457	TOTAL ASSETS		556,452,351	583,838,457

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

Condensed Interim Profit and Loss Account (un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2014

	Note	SIX MONTHS ENDED JULY TO DECEMBER		QUARTER ENDED OCTOBER TO DECEMBER	
		2014	2013	2014	2013
		Rupees		Rupees	
Sales	9	308,369,838	292,578,522	152,495,046	167,475,900
Cost of sales		278,318,492	269,253,655	137,218,973	155,189,638
Gross profit		30,051,346	23,324,867	15,276,073	12,286,262
Distribution costs		383,457	124,050	3,802	25,050
Administrative expenses		15,479,103	14,350,561	7,864,954	7,564,855
Other operating expenses		678,186	735,364	433,859	536,552
		16,540,746	15,209,975	8,302,615	8,126,457
Other income	10	13,510,600	8,114,892	6,973,458	4,159,805
		2,938,763	873,407	2,618,581	319,717
		16,449,363	8,988,299	9,592,039	4,479,522
Finance costs		4,443,756	1,619,960	2,228,638	888,604
Profit before taxation		12,005,607	7,368,339	7,363,401	3,590,918
Taxation :					
Current		3,113,086	2,934,519	1,554,338	1,680,956
Deferred	6.1	5,263,154	(1,741,893)	3,418,946	(3,252,591)
		8,376,240	1,192,626	4,973,284	(1,571,635)
Profit for the period		3,629,368	6,175,713	2,390,118	5,162,553
Earning per share- Basic and Diluted		0.23	5.56	0.15	4.65

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

Condensed Interim Statement of Comprehensive Income (un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2014

	SIX MONTHS ENDED JULY TO DECEMBER		QUARTER ENDED OCTOBER TO DECEMBER	
	2014	2013	2014	2013
	Rupees		Rupees	
Profit for the period	3,629,368	6,175,713	2,390,118	5,162,553
Loss on staff retirement benefit obligation - net of deferred tax	(745,918)	-	(372,959)	-
Total comprehensive profit for the period	<u>2,883,449</u>	<u>6,175,713</u>	<u>2,017,158</u>	<u>5,162,553</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

Condensed Interim Cash Flow Statement (un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2014

		SIX MONTHS ENDED JULY TO DECEMBER	
		2014	2013
	Note	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Generated from Operations	A	60,507,492	(8,077,051)
Taxes Paid		(4,805,308)	(4,932,993)
Finance cost paid		(4,283,263)	(1,742,248)
Gratuity paid		(22,416)	(1,094,440)
Net cash flow from operating activities		51,396,505	(15,846,732)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(30,445,478)	(15,089,822)
Proceeds from sale of asset		460,000	1,200,000
Net cash flow from investing activities		(29,985,478)	(13,889,822)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		-	(1,110,941)
Long term loans		-	10,950,000
Receipt / repayment of lease finance liabilities		(4,106,355)	-
Net cash flow from financing activities		(4,106,355)	9,839,059
Net increase/(decrease) in cash and cash equivalents		17,304,672	(19,897,495)
Cash and Cash Equivalents at the Beginning of the Period		(46,746,954)	(14,020,861)
Cash and Cash Equivalents at the End of the Period	B	(29,442,282)	(33,918,356)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

Notes to the Condensed Interim Cash Flow Statement (un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2014

	SIX MONTHS ENDED JULY TO DECEMBER	
	2014	2013
	Rupees	
A - CASH GENERATED FROM OPERATIONS		
Profit before taxation	12,005,607	7,368,339
Adjustment of non cash and other items:		
Provision for gratuity	1,131,660	991,619
Profit on disposal of fixed asset	(399,243)	(294,905)
Depreciation	9,628,163	8,127,954
Deferred income recognised	(1,896,144)	-
Finance cost	4,443,756	1,619,960
	12,908,192	10,444,628
Cash Flow Before Working Capital Changes	24,913,799	17,812,967
EFFECT ON CASH FLOW OF WORKING CAPITAL CHANGES		
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(656,051)	(194,124)
Stocks in trade	21,027,970	2,312,162
Stocks in transit	-	1,732,705
Trade debts	22,723,865	5,211,348
Loan and advances	16,658,916	2,534,248
Trade deposit and short term prepayments	(2,362,971)	(9,900,763)
Due from Government Department	(14,908,076)	(13,746,360)
Other receivables	(62)	(530)
Increase/(Decrease) in current liabilities		
Trade and other payables	(6,889,898)	(13,838,704)
	35,593,693	(25,890,018)
	60,507,492	(8,077,051)
B - CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,727,515	3,481,639
Short term borrowings	(35,169,796)	(37,399,995)
	(29,442,281)	(33,918,356)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

Condensed Interim Statement of Changes in Equity (un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2014

	SHARE CAPITAL	UNAPPROPRIATED PROFIT	TOTAL
	-----R u p e e s-----		
Balance as at June 30, 2013-Audited	11,109,410	18,969,456	30,078,866
Total comprehensive profit for half year ended December 31, 2013	-	6,175,713	6,175,713
Dividend paid	-	(1,110,941)	(1,110,941)
Balance as at December 31, 2013-Unaudited	11,109,410	24,034,228	35,143,638
Issue of right shares	144,422,330	-	144,422,330
Total comprehensive profit for the period	-	987,515	987,515
Balance as at June 30, 2014-Audited	155,531,740	25,021,743	180,553,483
Total comprehensive profit for the half year ended December 31, 2014	-	2,883,449	2,883,449
Balance as at December 31, 2014-Unaudited	155,531,740	27,905,192	183,436,932

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

Notes to the Condensed Interim Financial Information (un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2014

1 THE COMPANY AND NATURE OF ITS BUSINESS

The Company is a Public Limited Company, incorporated under the Companies Ordinance 1984. The Company is quoted on Lahore & Karachi Stock Exchanges. The principal activity of the company is dyeing, bleaching, finishing and embroidery of textile materials. The registered office of the company is situated at 4th Floor, IEP Building, 97-B/D-I, Main Boulevard, Gulberg-III, Lahore.

2 BASIS OF PREPARATION

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS) IAS 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all of the information and disclosures required for full annual financial statement, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2014.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the financial statements for the year ended June 30, 2014.

3.1 New standards, amendments to approved accounting standards and new interpretations which became effective during the six months period ended December 31, 2014; and new standards, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the company.

There were certain new standards, amendments to the approved accounting standards and new interpretation issued by the international Financial Reporting Interpretations Committee (IFRIC) which became effective during the period but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not disclosed in these financial statements.

There are certain new amendments to the approved accounting standards that are mandatory for accounting periods beginning after July 1, 2014, but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not disclosed in these financial statements.

3.1.1 Estimates

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2014.

3.2 Taxation

3.2.1 Current

Company's export sales fall under presumptive tax regime under Section 154 of the Income Tax Ordinance, 2001. Charge for current taxation other than export is based on taxable income at the current rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances and any minimum limits imposed by the taxation laws.

3.2.2 Deferred

Deferred tax asset / liability on the deductible / taxable temporary differences has been recognized at prevailing rate being the rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realized or the liability is settled.

	Note	December 31, 2014 Rupees (Unaudited)	June 30, 2014 Rupees (Audited)
4 AUTHORIZED SHARE CAPITAL			
20,000,000 A - Class Ordinary shares of Rs. 10/- each.		200,000,000	200,000,000
400,000 B - Class Ordinary shares of Rs. 10/- each.		4,000,000	4,000,000
		<u>204,000,000</u>	<u>204,000,000</u>
5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Issued for Cash			
15,051,267 A - Class Ordinary Shares of Rs. 10. each		150,512,670	150,512,670
320,100 B - Class Ordinary Shares of Rs. 10. each		3,201,000	3,201,000
		<u>153,713,670</u>	<u>153,713,670</u>
Issued as Bonus Shares			
181,807 Ordinary Shares of Rs. 10. each		1,818,070	1,818,070
		<u>155,531,740</u>	<u>155,531,740</u>
6 DEFERRED LIABILITIES			
Deferred taxation	6.1	15,981,077	11,085,316
Gratuity		13,510,047	11,287,492
		<u>29,491,124</u>	<u>22,372,808</u>
6.1 Deferred Taxation			
This is composed of the following:			
Deferred tax liability on taxable temporary differences arising in respect of:			
Accelerated tax depreciation		26,526,750	22,729,935
Excess of accounting book value of leased asset over liabilities		741,564	62,809
		<u>27,268,314</u>	<u>22,792,744</u>
Deferred tax asset on deductible temporary differences arising in respect of:			
Deferred debits arising in respect of staff gratuity		(4,458,315)	(3,950,622)
Deferred debits arising on brought forward losses		(6,087,357)	(7,756,806)
		<u>(10,545,673)</u>	<u>(11,707,428)</u>
		<u>15,981,077</u>	<u>11,085,316</u>
Balance as at July 01,		11,085,316	5,123,393
Add: Charge / (Reversal) for the year to			
Profit and loss account		5,263,154	5,961,923
Other comprehensive income		(367,392)	-
		<u>15,981,077</u>	<u>11,085,316</u>
7 CONTINGENCIES AND COMMITMENTS			
7.1 Contengencies			
- Sui Northern Gas Pipelines Limited (SNGPL) has raised a demand amounting Rs.39.805 million (June 2014:Rs. 39.805 million), which has been contested by the Company as unsubstantiated and unjustified.The Company has deposited Rs.Nil (June 2014:Rs.6.858 million) during the period/year with SNGPL under protest. SNGPL has constituted a Review Committee to examine and resolve the matter and bring the facts on record.The Company is hopeful that the decision of OGRA would be in favour of the Company.			
7.2 Commitments			
- Commitments in respect of letters of credits other than for capital expenditures were amounting Rs.35.740 million (June 30, 2014: Rs.38.105 million)			
Other than the above mentioned matter, there is no material change in the contingent liabilities of the company since the last annual balance sheet as at June 30, 2014.			

	Note	December 31, 2014 (Unaudited) Rupees	June 30, 2014 (Audited) Rupees
8 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	8.1	364,989,064	348,460,460
Capital work in progress	8.2	11,253,963	7,026,009
		<u>376,243,027</u>	<u>355,486,469</u>
8.1 OPERATING FIXED ASSETS			
Opening book value		348,460,460	328,757,412
Add: Additions during the period / year-cost		26,217,524	66,635,098
Less: Disposal during the period/ year-net book value		(60,756)	(35,973,575)
		<u>374,617,227</u>	<u>359,418,935</u>
Less: Depreciation charged for the period / year		9,628,163	10,958,475
		<u>364,989,064</u>	<u>348,460,460</u>
8.2 CAPITAL WORK IN PROGRESS			
Building		11,253,963	7,026,009
		<u>11,253,963</u>	<u>7,026,009</u>

9 SALES

	SIX MONTHS ENDED JULY TO DECEMBER		QUARTER ENDED OCTOBER TO DECEMBER	
	2014	2013	2014	2013
	Rupees		Rupees	
Exports	8,742,820	-	128,076	-
Processing receipts	299,627,018	292,578,522	152,366,970	167,475,900
	<u>308,369,838</u>	<u>292,578,522</u>	<u>152,495,046</u>	<u>167,475,900</u>
10 OTHER OPERATING INCOME				
Income from non financial assets				
Sale of scrap	631,820	567,687	317,215	314,042
Profit on disposal of fixed asset	399,243	294,905	399,243	-
Deferred income recognised	1,896,144	-	1,896,144	-
Income from financial assets				
Profit on TDRs / Bank deposits	11,556	10,815	5,979	5,675
	<u>2,938,763</u>	<u>873,407</u>	<u>2,618,581</u>	<u>319,717</u>

11 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties have been disclosed in the relevant notes to the financial statements.

12 GENERAL

In order to comply with the requirements of International Accounting Standard 34 Interim Financial Reporting' balance sheet has been compared with the balances of annual financial statements, whereas profit and loss account and cash flow statement and 'statement of changes in equity have been compared with the balances of comparable period of immediately preceding financial year.

13 DATE OF AUTHORISATION

The condensed interim financial information was authorised for issued on February 27, 2015 by the Board of Directors of the Company.

14 FIGURES

- Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No significant rearrangements or reclassifications have been made in this condensed interim financial information.
- Figures in this condensed interim financial information have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

The National Silk & Rayon Mills Ltd.

DIRECTOR

Half Year Financial Statements 2014-15

The National Silk & Rayon Mills Ltd.

Manufacturer & Exporter of Quality Textile Products

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